

# **TransLink® Strategic Business Planning Committee Governance Discussion**

TransLink® Management Group  
Oakland, CA  
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information of the client to whom it is addressed.*

# History – Why TMG Created the Strategic Business Planning Committee

- At the Dec. 2008 TMG Workshop, the Strategic Business Planning Committee was initiated to prepare a Strategic Business Plan and to study and recommend a new Governance
- The goals for the new Governance
  - To support the operation of TransLink® and its future enhancements
  - To address the perceived weaknesses of the current Governance



## **Weaknesses in current Governance were identified in the December 2008 TMG workshop and through member interview findings:**

- ▶ TMG focus shifted from system oversight to contractor oversight
- ▶ TMG too focused on technical details, not on vision and policy
- ▶ Program too dependent on volunteer staff
- ▶ Agency staff pulled between good of the Program and good of Agency
- ▶ Inefficient decision-making
- ▶ Unclear lines of communication
- ▶ Mistrust
- ▶ Brown Act constraints

## **Since the Workshop, the Program has realized significant changes (potential and real)**

- MTC declared its intention to change its role and its membership in the Consortium
  - Strongly expressed desire to assign the TransLink® contract to an Operating entity
  - Announced intention to withdraw membership in the Consortium. The IPA specifies notice of withdrawal must be submitted Nov. 1, 2009 to be effective July 1, 2010
- ERG's Contract was assumed by Cubic
  - Resolving long-standing contractor performance disputes
  - Addressing performance issues
  - Achieving major milestones
- TransLink® was expanded to include BART and Caltrain



## Within the context of issues uncovered in the Workshop as well as assuming MTC's intentions were probable, the SBPC studied three forms of Governance

- ▶ **Joint Powers Authority:** Transit Agencies would form a separate/legal entity with powers to contract, hire, apply for grants. The JPA would be assigned the Cubic Contract as well as assume responsibility for managing the Program. The TMG would be replaced by a Board of Directors.
- ▶ **Modified Consortium:** The IPA would be changed to address current issues. A Member Agency would be assigned the Cubic Contract as well as assume responsibility for managing the Program. The TMG would continue its governing responsibility.
- ▶ **MTC Management:** MTC would withdraw from the Consortium and exclusively manage both the Cubic Contract and the Program. The MTC would assume decision-making authority and the TMG's responsibility would be advisory only.

<sup>1</sup> At this time, no Agency has expressed interest in assuming responsibility for the contract.

## **After research, analysis, comparison of the options, Committee choose JPA Governance (contingent on a sustainable funding plan).**

- ▶ A JPA has the legal power to contract, hire, apply for grants
  - The Cubic Contract could be assigned to the JPA by MTC. Since no agency is prepared to assume it by the withdrawal date, a JPA could take on this responsibility and be responsive to MTC's intentions.
  - JPA could apply for grants not pursued by MTC
  - JPA could indemnify its members and purchase proper insurance to protect them from professional and contractual liability
- ▶ A TransLink® JPA organization would have an undivided commitment to the Program
  - A Program Director, with leadership “fire power”, reporting directly to the Board
  - No other projects to oversee or fund
- ▶ A JPA could contract specialized staff
  - Staff could be selected from a large pool of resources (Agencies, LGS, Professional Firms)
  - Contracted/Secunded staff enables changes-at-will, whenever necessary
  - Managing its own staff enables close control over direction and budget

## TMG expressed concerns about the recommendation and directed the SBPC to provide additional information. The following summarizes the TMG's direction:

- ▶ **Impacts to Agencies:** How will Agencies be affected by change to JPA?
  - At this time, MTC has not released details of MTC Management for purposes of comparison to a JPA
- ▶ **Funding Status and Plan:** What is the current and future state-of-funding? What are the shortfalls and how to manage against unforeseen costs?
- ▶ **Risk and Liability:** What are the primary technical, financial, contractual, political, operational, and program management risks and how will they be mitigated?
- ▶ **Optimal Transition Timing:** What is the best time to transition to a different Governance?

## | Focus of Today's Presentation

- ▶ Present Funding Status and Plan
- ▶ Review Characteristics of JPA and Potential Impacts
- ▶ Present Risk Assessment and Mitigation
- ▶ Discuss Timing for Transition to a Different Governance
- ▶ Provide Committee's Conclusion

# | Funding Status and Plan

Presented by MTC



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# Characteristics of JPA and Potential Impacts

- ▶ Presented by Booz Allen Hamilton



## JPA Characteristics and potential impacts to Agencies

Characteristics	JPA	IMPACT
<b>Cubic Contract</b>	<b>Assigned to and managed by the JPA</b>	Expect long lead time for assignment Contract decisions would be made by JPA  No Member Agency would be requested to assume contract or Program management
<b>Governance</b>	<b>Board may be composed of Agency GMs</b>	Program would be Governed with an Operations perspective

## Characteristics and potential impacts (Cont'd)

Characteristics	JPA	IMPACT
<i>Mission</i>	To make TransLink® best it can be	Good for operators, customers, future technology advances
<i>Decision-making process would be defined in the Agreement/bylaws</i>	The JPA agreement/bylaws would define the levels of decision-making authority and the process. Most decisions may be made by JPA, some issues may require action by Agency boards.	Agencies would guide how levels of authority and the decision-making process should be defined



## Characteristics and potential impacts (Cont'd)

Characteristics	JPA	IMPACT
<b>Program Director would have direct line to Board</b>	<p>JPA would select the best candidate</p> <p>Director would report to the Board</p>	<p>Qualifications would be defined by JPA</p> <p>The Program would receive direct and high level focus</p>
<b>Committees would be reduced</b>	<p>Existing committees would be discontinued</p> <p>JPA would authorize Ad Hoc for addressing critical issues</p> <p>Exec Com would make decisions between Board meetings</p>	<p>Volunteer staff requirements would be reduced</p> <p>Agencies would influence resolution of the most critical issues through Ad Hoc</p> <p>Critical decisions would be more timely</p>
<b>Volunteers would be reduced</b>	<p>Committee work would be reduced</p> <p>A strong, effective Program Director would provide clear leadership and direction to staff, reducing need for volunteers</p> <p>High level single-points-of-contact for improved communications</p>	<p>More efficient decision-making</p> <p>Agencies should experience a reduction in number of volunteers necessary for the Program</p>

## Characteristics and potential impacts (Cont'd)

Characteristics	JPA	IMPACT
<p><i>Issue resolution would be more efficient</i></p> <p><b>Each Agency would designate a high level single point-of-contact through which the Program Director would communicate.</b></p> <p><b>Ad Hoc committees would focus on specific issues, be shorter duration, led by strong Program Director.</b></p>	<p>Agencies would be directly linked to JPA. When necessary, critical and time-sensitive issues would be immediately reviewed at a high level.</p> <p>Communications between the Program and Agency would be more consistent</p>	
<p><i>Staffing would not be employees of the JPA</i></p>	<p>Could second from Agencies, contract with consulting firms or contract with LGS</p>	<p>Staff could be changed at-will, whenever Program phases or tasks change</p>
<p><i>Staff composition</i></p>	<p><b>Qualifications would be defined by JPA, staff could be specialists</b></p>	<p>Agencies would have influence over qualifications</p> <p>Good, quality work with complete system understanding</p>

## Characteristics and potential impacts (Cont'd)

Characteristics	JPA	IMPACT
<b>Agencies will be close to the Program</b>	<p><b>GMs would most likely serve on the Board</b></p> <p><b>Agencies would influence JPA direction and staffing</b></p>	<p>Agencies would be close to the Program</p> <p>Agencies would be close to the Program</p>
<b>Authority to hold Agencies accountable for necessary tasks is “peer” agency</b>	<p><b>JPA would negotiate Agency responsibilities</b></p> <p><b>Significant requirements would be included in the RTCP with MTC's ability to withhold funds</b></p> <p><b>Agencies would be monitored and held accountable by the JPA, a “peer” Agency</b></p>	<p>JPA's authority may not be perceived as strong as MTC's. MTC can directly impact agency funding.</p>

## Characteristics and potential impacts (Cont'd)

Characteristics	JPA	IMPACT
<b><i>Liability is addressed in JPA (Article VII)</i></b>	<p>In the event of termination of Consortium and formation of JPA, MTC has duty to indemnify an assignee for claims and liability resulting from Contract occurring prior to assignment.</p> <p>JPA would be responsible for claims/liability occurring after assignment.</p>	<p>JPAs typically indemnify member agencies providing the agencies protection against contract claims and liabilities</p> <p>Provides additional protection to Agencies.</p>
<b><i>Insurance would be purchased</i></b>		<p>JPA would purchase insurance for added protection including property, liability, excess umbrella, public officials and employee practices liability. Proper insurance would be discussed with a Risk Manager and Insurance Broker prior to purchase.</p>

# Risk Assessment and Mitigation

- ▶ Presented by Booz Allen Hamilton



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# Risk assessment measures the level of uncertainty of achieving objectives and the ability to mitigate constraints

Program Objectives/Constraints
<ul style="list-style-type: none"><li>▶ Deliver technical initiatives<ul style="list-style-type: none"><li>– Ensure scalability</li><li>– Achieve Revenue Ready state for VTA and SamTrans by May 2010</li><li>– Transition to contactless only media</li><li>– Deliver a fully functioning TransLink® Service Bureau (including web and clearinghouse)</li></ul></li><li>▶ Ensure funding stability<ul style="list-style-type: none"><li>– Secure adequate, sustainable funding</li></ul></li><li>▶ Achieve Contractual requirements<ul style="list-style-type: none"><li>– Meet 20 million transactions per month</li></ul></li><li>▶ Implement TransLink® throughout the region</li></ul>

Agency Objectives/Constraints
<ul style="list-style-type: none"><li>▶ Ensure sustainable funding to continue and sustain Program</li><li>▶ Ensure accurate settlement of revenue</li><li>▶ Ensure Program validates and delivers must have business requirements</li><li>▶ Ensure system reliability of front and back-end operations</li><li>▶ Ensure effective management of contractor performance</li><li>▶ Ensure Governance is able to carry the Program for the long-term (10 to 15 years)</li></ul>

## **Methodology for identifying and validating risks**

- ▶ Listed risks relevant to each of the Program's key functional areas
  - Technical
  - Financial
  - Contractual
  - Political
  - Operational
  - Program Management
- ▶ Each risk was mapped back to the Objectives and Constraints

# Risks with highest impact and probability

Risk	Cost	Schedule	Performance	Likelihood
Sustainable Funding*	Red	Red	Red	Red
SFMTA and BART Fare Media Transition*	Yellow	Green	Red	Red
20 M Transactions*	Red	Yellow	Red	Red
Too Slow decisions**	Yellow	Orange	Red	Red
Institutional Memory**	Yellow	Orange	Yellow	Red
Technical Scalability*	Orange	Orange	Yellow	Red
Poor forecasting of system needs*	Orange	Green	Yellow	Red
Too Fast Decisions*	Yellow	Orange	Red	Red
Customer Service Scalability*	Orange	Green	Yellow	Red

Cost impact      Schedule impact      Performance impact      Likelihood of occurring  
 > \$2.5M      >1yr      5-6 goals threatened  
 \$1.0-\$2.5M      6mo-1yr      3-4 goals threatened  
 \$250k-\$1M      3-6mo      2 goals threatened  
 <\$250k      <3mo      0-1 goals threatened

■ Very likely  
 ■ Likely  
 ■ About even  
 ■ Unlikely

\* Risks regardless of Governance Model

\*\* Risk unique or more severe under a JPA



# Risk mitigation

Risk	Mitigation
<ul style="list-style-type: none"><li>▶ If long-term sustaining funding doesn't come through, then contract elements and Agency requests could be threatened.</li><li>▶ If SFMTA and BART delay their fare media transition, then monthly baseline target could remain unmet.</li><li>▶ If 20M trx/month is not met, then ongoing costs increase.</li><li>▶ If decision is reached in too long time frame, then it could adversely affect the Program schedule and completion.</li><li>▶ If institutional memory of the program is lost, then program schedule and completion and agency control could be adversely effected</li></ul>	<ul style="list-style-type: none"><li>▶ Strong funding management/understanding</li><li>▶ Increase level of funding priority</li><li>▶ Strong Program advocacy</li><li>▶ MTC withholds funding to pressure transition</li><li>▶ MTA eliminates paper fast pass before faregates</li><li>▶ MTC withholds funding to pressure transition</li><li>▶ MTA transitions before installing faregates</li><li>▶ High level points-of-contact to expedite decisions</li><li>▶ Ad Hoc committees with short duration and focus</li><li>▶ Knowledgeable Director delivers good info to Board</li><li>▶ Exec. Committee with authority to review and approve in between Board meetings</li><li>✓ Contract select MTC staff</li></ul>

## Risk mitigation (cont'd)

Risk	Mitigation
<ul style="list-style-type: none"><li>► If system can't technically handle transaction volume, then monthly baseline target could remain unmet – performance level fees could continue and fare media transitions could be delayed.</li><li>► If forecasts of future transaction levels are not accurate, then accurate financial planning will be impossible.</li><li>► If overly quick decisions on important program choices are made, then they could adversely affect agency control and system performance.</li><li>► If TransLink® Service Bureau is not fully functioning (such as robust web, quality and available customer service presence), then transaction volumes could remain unmet.</li></ul>	<ul style="list-style-type: none"><li>✓ 10M trx/month is an important milestone for assessing and addressing scalability</li><li>✓ Ability to effectively manage the Contractor</li><li>✓ Requires trending analysis and forecasting expertise</li><li>✓ High level points-of-contact to expedite decisions</li><li>✓ Ad Hoc committees with short duration and focus</li><li>✓ Knowledgeable Director delivers good info to Board</li><li>✓ Exec. Committee with authority to review and approve in between Board meetings</li><li>✓ Strong project and contractor performance management</li></ul>



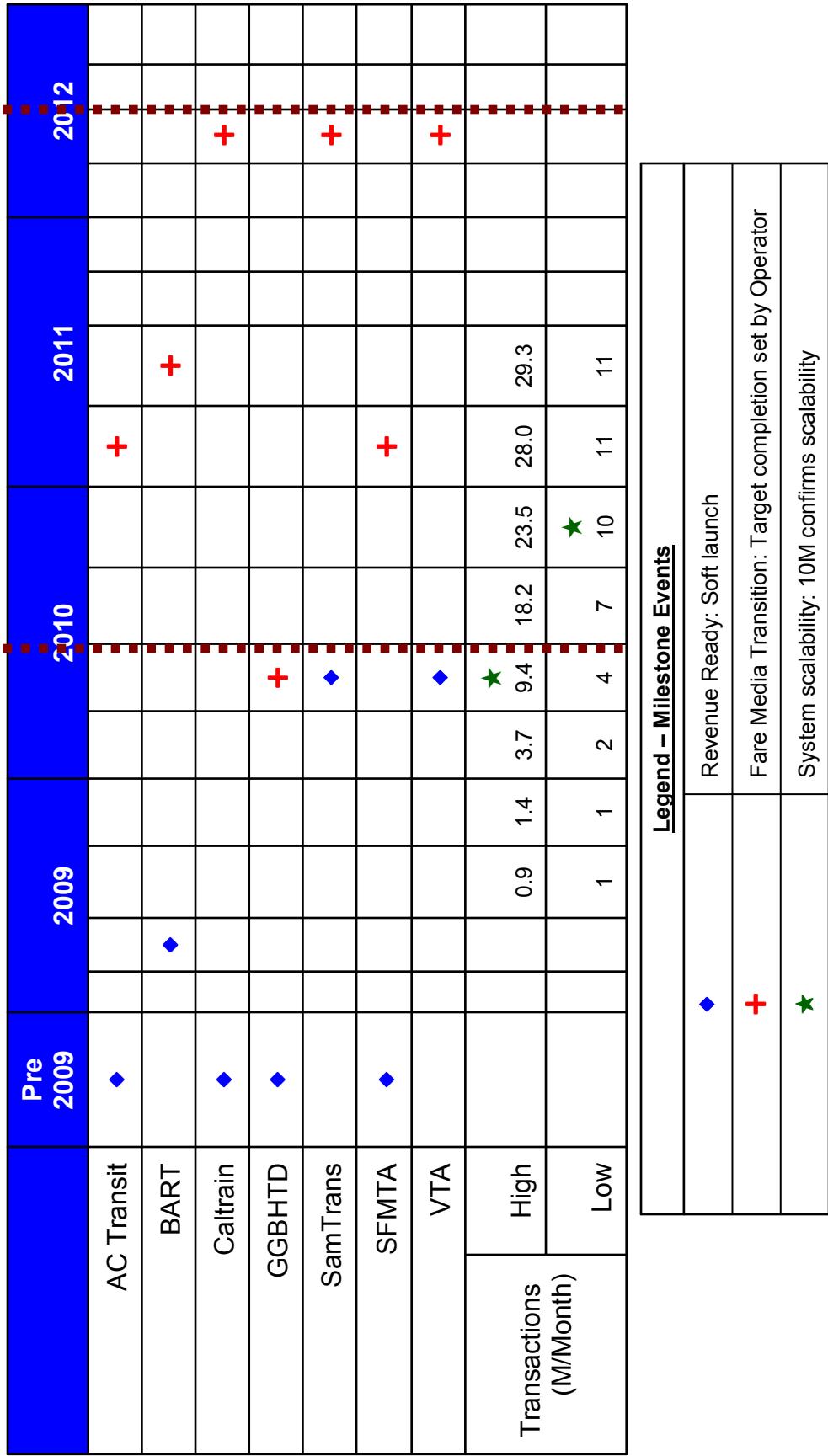
# Timing for Transition to a Different Governance

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# Timing for Transition to Different Governance

Earliest- All systems Revenue Ready  
Latest – All systems transition fare media



## Withdrawal from Consortium

- ▶ To rescind notice of withdrawal
  - A withdrawing member may rescind a notice of withdrawal at any time prior to the July 1 effective date
- ▶ To extend the July 1 effective date
  - Requires an amendment to the IPA to change the effective date
  - Amendments only need to be approved by the TMG



## | Committee's Conclusion

- ▶ Presented by Booz Allen Hamilton



## If MTC withdraws from the Consortium, status quo Governance will not be an option

- ▶ MTC withdrawal forces a change in current Governance to either
  - MTC Management of the Contract and Program with no TMG
  - Alternative Governance form such as JPA
- ▶ Committee's preferred option is Joint Powers Authority assuming sustained funding commitments
- ▶ Committee requested additional details about how exactly MTC Management would work
- ▶ The Committee requests that the TMG authorize the Committee to obtain the details from MTC and report back to the TMG
  - How will MTC Management affect the Program and the Agencies
  - How will MTC guarantee funding